Customer Expectations of Quality

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Introduction
I am employed as the Technical Controller of the Beers, Wines & Spirits Department at Safeway plc in the UK. Safeway plc in the UK is a separate company from Safeway in Australia, although originally we both had a common parent company in the USA, hence the similarity in logo.

There has been an increasing concentration of large wine purchasing groups in the UK. Bottle shop chains have combined to form large buying groups such as Oddbins, Threshers and Victoria Wines. We all compete to give the best value for money and customer service and a guarantee of quality is a prime factor in this. The customers will decide who is the winner.

There are also the large purchasing boards in Scandinavia and Canada who are also looking for quality guarantees to satisfy their customers. There are not too many requests yet from USA purchasing groups for the guarantee of quality through evidence of quality management systems, although this is likely to come in the future. Also, demands could begin to come from your own important domestic market. I now think that this has already happened here in Australia so I think the most important demands for quality systems will come from close to home.

Sales of Australian wine on the UK market
In the UK over 4.2 million cases of Australian wine were sold in 1993 and this volume is set to increase by up to 40% in 1994 despite these recessionary times. That is over 50 million bottles of which each individual customer will expect their purchase to be of perfect quality. Safeway sells a significant percentage of those wines.

Customer complaints
With the increase in quality of foodstuffs and their packaging there is an increasing customer expectation of quality. We ourselves offer a ‘Refund-and-Replace’ package in our supermarkets. The type of complaint is logged on computer and any returned faulty wine is sent to our head office for examination. If we receive too many complaints on a wine we may be forced to withdraw it from sale. In the case of glass contamination or incorrect back labels, this could be with as few as three complaints. It causes companies like ourselves dissatisfaction and a loss of sales. It is obviously in the supplying winery’s interest to establish systems that ensure that this does not happen.

There is a complaints review board that meets every week in our organization. A similar board meets in other UK wine retailer groups. If there appears to be repetitive problem they telephone me to say ‘David, do something about it—take some action’. The supplying winery then hears from me.

These returns and complaint statistics will increasingly be returned to the supplying winery which will then be expected to have a system to react to these complaints and show evidence of corrective action. This facility is built into ISO 9000 quality management systems. In turn, I have to report back to the complaint review board on what action has been taken and may have to show this to our USA purchasing groups.

ISO 9000 – Where it came from

The use of quality marks on goods has been around for many centuries. They were used by the Pharaohs and Chinese Emperors and latterly by silversmiths, goldsmiths and pottery manufacturers.

In recent years, the UK Ministry of Defence has been a prime mover in developing the quality assurance of its purchased goods by requiring its suppliers to implement quality systems. They needed to be sure that the final product was fit for the purposes for which it was designed (i.e. cannonballs, shot, shells are exploded). Because they could not test every item they introduced teams of inspectors to examine the manufacturing process as a means of ensuring the final outcome.

Other major purchasing groups followed this course of action (known as second party assessment or quality auditing). Eventually this means of assuring quality may become too costly and time consuming because major purchasers need to maintain a team of inspectors or auditors. Even though their wages in the UK are low it is still a non-profit making overhead.

Equally, their suppliers are inspected by a variety of customers using different examination criteria. Can I assume that this is the experience of those who have been on the receiving end of the UK auditors.

The Standards for Quality Systems BS5750, which is identical to ISO 9000, grew from this haphazard approach. It was first laid down in 1979.

The requirements for ISO 9000 and HACCP systems are being increasingly applied to foods with high risk microbiological pathogen growth possibilities. Although wine with its low pH does not present a health risk in terms of the presence of pathogens, it is still ingested by customers, so many of the food safety criteria are being applied to it.

UK market considerations

The UK market is different from Australia’s as the large supermarket and retail chain groups have a significant percentage of own label products. These own label wines offer good quality and value, with the intention of gaining customer loyalty and repeat purchases. The UK is therefore one of the few markets where the large retail groups have technical departments to ensure the standard of the quality of their suppliers.

Retailers are also responsible for the safety of the products they market because of the UK Food Safety Act 1991. As a defence against prosecution and conviction, the retailer can make a Statutory Defence of Due Diligence. Although case history and precedents are still being made, the following requirements for a defence are recommended.

Retailers should:
1. Ensure the product made for them is described in a detailed specification which is neither unlawful nor inconsistent with any compositional standards or good manufacturing practices.
2. Satisfy themselves that the intended supplier is competent to produce and/or process the product to specification, that he complies with all relevant legal requirements and that he operated systems of production control in accordance with good manufacturing or agricultural practice.

3. From time to time make visits to suppliers wherever practical to verify point 2 or to confirm the result of any other audit of the suppliers systems for that purpose.

4. Devise a program—having regard to the relative hazards of the product—for random samples to be taken for examination, testing or analysis to check continuing compliance with specifications.

5. Monitor any consumer complaints about own-label products and take necessary action when failures are disclosed.

There are Environmental Health Departments situated in all the regional councils around the country and like most chain stores, our stores are widely spread, so we are exposed if a problem occurs anywhere in the country. I know of at least one case where glass was found in a bottle of Australian wine and after showing an HACCP-based glass breakage procedure to the authorities proving due diligence the prosecution was dropped. I hope you all have your HACCP systems for glass in place.

Many of the requirements for Due Diligence are covered by ISO 9000 systems, which is one reason for our encouraging them.

**Quality systems**

The environment in Europe, with its increasing legislation on Food Safety, gives the background as to why there is increasing pressure on our suppliers around the world to have quality systems in place. I will just outline quality systems from a customer's point of view.

**Total Quality Management**

The ultimate goal is for all departments and branches of the winery involved with 'giving the customers what they want'.

**ISO 9000**

The quality system to supply the wine agreed to satisfy the customers' needs on a regular basis. It is internally and externally audited. It underpins TQM. It provides traceability of product and its components and defines corrective action.

**HACCP** – Hazard Analysis of Critical Control Points

A system to prevent problems and guarantee safety in the product—for random samples to be taken for examination, testing or analysis to check continuing compliance with specifications.

Which do you pick? Where do you start? Let us look at it commencing with food safety and then progressing to wine quality.

**HACCP legislation**

EC directives are increasingly including a requirement for HACCP procedures to be adopted by food and drink manufacturers. The product-specific (vertical) directives including requirements which closely follow the principles of HACCP, exist for fishery products, raw milk, heat treated milk and some meat products. There is also a new 'horizontal' directive which applies to all foodstuffs. This was adopted in June 1993 and Member States will have to implement the requirements into their national laws by December 1995. It requests food business operators to identify any step in their activities which is critical to ensuring food safety and that adequate safety procedures are identified, implemented, maintained and reviewed on the basis of HACCP principles and ISO 9000.

In the USA both the US Department of Agriculture and the US Food and Drug Administration have announced their intentions to propose regulations which would mandate development of HACCP plans for a majority of the US regulated Food Industry. Once proposed they will be open to public comment for 90 days before regulations are made.

Whilst it is universally agreed that HACCP is a tool for food safety it is also useful for non-safety and intrinsic quality factors. Although the management techniques employed by HACCP are certainly applicable to non-safety areas, from a regulatory and legal standpoint HACCP will be limited only to food safety.

**ISO 9000 legislation**

There are no plans in the near future to make a quality system like ISO 9000 mandatory or subject to legislation. Producers in the future may be required to show that they have a quality system but it may not necessarily be to the ISO 9000 standard.

It is probable that customers such as ourselves will continue to demand it. One supermarket group states that it wants suppliers to have a quality system similar to ISO 9000 and issues guidelines itself. We at Safeway especially like ISO 9000 because it is an established audited system so that quality standards are continually under review and are improved. We generally find that we have fewer problems from ISO 9000-approved suppliers but not necessarily no problems at all. When problems do occur, there are systems in place for proper corrective measures to be taken.

There will probably be an industry-driven rolling impetus to adopt ISO 9000, as once a winery has accreditation it will want all its suppliers of raw materials such as packaging, grapes, must, and wine to have it. In the engineering industry in the UK it is now expected that a company will be ISO 9000 accredited; any that is not will struggle to obtain business. The same applies to the cosmetics industry, where even supplying agencies who are not producers are expected to be accredited. Increasingly on the European continent more brewers and products (and especially bottlers) are expected to be ISO 9000 accredited, and, if possible, we steer business in their direction.

The wine industry has been slow to adopt ISO 9000, so there are few accredited wineries in Europe that supply us. There is more interest as time goes on, but it is still very slow. The fact that there are already some Australian wineries that are ISO 9000 accredited means that your wine industry has a chance to get ahead of the competition.

There are a few big wineries and bottlers in France moving towards ISO 9000 accreditation. There are some wineries in South Africa and Germany expressing an interest in progressing ISO 9000, but Italy, Spain, Portugal and Eastern Europe are a fair way behind. The contract bottlers in South Africa are definitely progressing to ISO 9000 accreditation. For some reason, Hungary seems very keen to adopt HACCP and ISO 9000 accreditation and is being pro-active in obtaining information about the systems. Judging from the interest in Australia of quality management systems and their adoption you have a good chance in getting in front of your competitors. There is, however, no room for complacency.

**HACCP first**

A strong word of advice from wineries that have implemented ISO 9000 is to install proper HACCP systems for critical control points for safety and quality parameters and then base ISO 9000 quality systems around these.
When you come to progress to ISO 9000 make sure that you employ a good consultant and make the quality manual as simple and practical as possible, as the operation of the manual is what you will be challenged on when audited.

Management commitment

A s customers we pay a lot of attention to the management commitment of our suppliers towards quality and service. All the evidence shows that to succeed, quality initiatives need the visible commitment of top management. Everyone must assume the responsibility for quality and productivity but top management must lead. We pay a great deal of attention to this when we visit a winery.

British Airways is one of the largest companies to embrace the TQM approach seriously. Their Engineering and Cargo Divisions have both received the ISO 9000 Kitemark quality seal of approval and now the company as a whole has established a ‘quality board’ to integrate and co-ordinate at director level the ongoing drive for quality across the airline. How far up your management structure does quality regularly feature as an item in meetings?

It is true that you can achieve many of the virtues of quality systems without being accredited. ISO 9000 is applied in common sense. For example, the Germans, who are not always the best in terms of giving their customer what he wants, sometimes appear to work on the take it or leave it principle. We do have one supplier who contacts me when he wants to improve his equipment or systems and we discuss it so that we are in agreement.

A though he does not have the most sophisticated equipment he now has certain advantages over his competitors with useful, well controlled carbon dioxide dosing for white wine and an automatic bottle counter and label reader which stops the line if the labels are incorrect. Since fitting the device we have had no mislabelling problems. Needless to say, across other areas of his business, such as short lead delivery times which we require when sales rise rapidly, he performs well and gets priority over our other two suppliers of the same wine. The point is that he is graded quite highly as a supplier even though he does not have ISO 9000 accreditation. Therefore, even if you are not going to attempt ISO 9000 accreditation in the short term, you should start to adopt the philosophies and procedures or you could be left behind.

Some of the problems and benefits experienced by wineries who have attained ISO 9000 accreditation are listed below.

Problems suppliers have encountered when installing ISO 9000

- Poor commitment from senior managers due to production pressures
- Insufficient time
- Non-conformance (corrective action system)
- Commitment to making it happen
- Understanding the philosophy of prevention of recurrence
- Too few believers!
- Procedures too complex.
- Not doing what is actually written down
- The system is seen as a paperwork exercise
- Suppliers who have registration have much longer lead times than those who do not
- Product quality is not improved!
- Understanding the difference between quality control and quality assurance
- Compiling and agreeing specifications
- Calibration – understanding what needs to be calibrated.
- It is not surprising that the importance of the commitment from senior managers keeps cropping up. To progress towards ISO 9000 and TQM you will have to convince top management that the initiative is coming from them. The other problems are also a matter of explaining and selling the philosophy.

Benefits of a quality management system for the customer and supplier

- Provides a framework for continuous improvements for improved operational control
- Allows operations to proceed with confidence
- Improves awareness throughout the company that quality matters
- Reduces waste and rework
- Provides a platform for improved product quality
- Identifies and reduces non-conformance and promotes corrective and preventative action
- We get it right first time more often
- Provides traceability
- Organizes training
- Increases customer confidence
- Provides up-to-date job descriptions
- Identifies gaps in the systems
- Is a defence under the Food Safety Act 1991
- Will include a comprehensive customer complaints system
- Increases profitability

The links between ISO 9000 and Total Quality Management

ISO 9000 is a recognized and established example of a quality system, and all Total Quality approaches rely on an underpinning quality system of some sort. At the same time, TQM commentators say that it is difficult for an organization to successfully install ISO 9000 without creating a management-led Total Quality approach in the first place. Hence, it can be seen that both approaches are interdependent and the distinction between the two is blurred.

We can demonstrate the links by comparing the features of both alongside each other. This brings out the strengths of both approaches when linked together.

To have more customer contact when suppliers are in Australia and customers are in Europe is difficult. Your agents or representatives abroad must visit you to update you with the market situation, to discuss whether or not you are making the right wines for the correct price points and to look at volumes at the various price points. If you have no agents then you must be prepared to visit your export market more frequently.

Commercial viewpoint

This is very complicated as it is an increasingly competitive world and in recessionary times there is pressure to have the best quality at extremely attractive prices. I cannot therefore say to you that just because you have ISO 9000 registration a non-registered supplier with an attractive price and superior quality will not be selected to supply the wine. It is extremely important for retailers on the UK market to have quality wines which receive good press from wine writers and win
medals in the Wine Magazine yearly challenge. This is an important aspect which boosts sales and brings people into our stores.

Buyers form a fairly accurate impression of a winery and if the quality of wine is poor at the initial tasting during a visit, they may not consider it worthwhile to even inspect the cellars. To be honest, buyers do not fully understand quality management systems and their importance, so we still have a communication challenge to make them fully familiar with the situation. The customer focus of TQM should mean that you will achieve the quality/price ratio that the customer is looking for.

If ISO 9000 systems are installed with the advice of a good consultant and with care and enthusiasm by all staff, then no large overheads will arise and indeed the operation will become more efficient.

There is a possibility that well managed boutiques or domaine wineries, which are operated with such tender loving care that quality is guaranteed as almost every bottle has the signature of the owner on it, may never officially adopt quality management systems. They will be accepted as the risk of quality problems are so low. They will however, still need to have HACCP systems in place for safety risks.

Summary
You must want and believe in quality management systems for them to succeed. Your customers want them but are influenced by commercial considerations. The market will move towards them and increasingly demand them. From Safeway’s point of view, the main problems encountered on a recurring basis are mislabelling (which can cause incorrect scanning and pricing), heavy tartarate precipitates, poor taste, poor quality corks, the presence of glass and secondary fermentation. At any time we will have at least one problem in our range of wines because of these faults.

Raw material supplier quality
What is the use of having excellent quality systems if the corks you are using have a 5% taint problem and the bottles you buy are too expensive to compete on the world market?

In line with the TQM approach, we as a customer will experiment with new forms of cork and will be prepared to discuss our concerns about strength or suitability of bottles with the bottle suppliers. We are willing to be approached or to work with industry working parties on these issues which appear to be no nearer a solution than they were five years ago.

When applied properly ISO 9000 drives quality back up the supply chain. We rely on our supplying wineries to carry this out. As wineries, you are an assembler of parts and only as strong as your weakest link.

I spend so much time dealing with problems, that I find it difficult to interact with all suppliers to improve wine quality, equipment and systems.

If more organizations in our supply chain had quality management systems in place, I am sure that we, as your customers, would have more time to assist with improving products and processes rather than just solving problems as they arise.

Customers’ expectations
Quality management systems will give us what we need to give our millions of customers what they want.

The future
Bottling facilities will require HACCP-based safety prevention procedures and will increasingly need ISO 9000 accreditation to provide a service to your customers. Eventually we will not take from suppliers who do not have safety systems. The necessity to audit externally and internally will increasingly be thrown back to our suppliers. The need for ISO 9000 accreditation will work its way back up the supply chain of packaging suppliers.

Winemaking operations will begin to receive more pressure to have proper traceability systems and ISO 9000 accreditation.

Growers will receive more pressure to keep proper spraying records and to have minimum input agriculture.

Make sure you are the winner. Don’t fall behind.

Comparison of ISO 9000 and Total Quality Management

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<td>Self-motivated</td>
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<tr>
<td>Standards to ensure that you do things correctly</td>
<td>Focus on doing things and doing the right things (strategic)</td>
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<tr>
<td>Primarily product/service focused.</td>
<td>Company-wide covering all departments.</td>
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<tr>
<td>System</td>
<td>Philosophy/management approach.</td>
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<tr>
<td>No requirements for employee involvement in improvement</td>
<td>Emphasis on total employee involvement/commitment/attitude change.</td>
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<tr>
<td>Goal = meet the standard/pass the audit</td>
<td>Customer focus = external and internal.</td>
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<td>Low visibility</td>
<td>Goal = continuous improvement (self-driven).</td>
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